

**MAGELLAN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF:** December 31, 2008

**ASSETS**

**CURRENT ASSETS**

<b>101</b> Cash (Disclose on Schedule A)	\$43,928,012
<b>102</b> Current Investments	\$48,367,854
<b>103</b> Accounts Receivable (net) (Disclose on Schedule A)	\$10,801,952
<b>104</b> Notes Receivable (current portion)	
<b>105</b> Prepaid Expenses	2,676,490
<b>106</b> Other Current Assets (Disclose on Schedule A)	\$4,666,550
<b>107</b> Total Current Assets	<u>\$110,440,858</u>

**NON-CURRENT ASSETS**

<b>108</b> Land	-
<b>109</b> Building	-
<b>110</b> Leasehold Improvements	3,112,949
<b>111</b> Furniture and Equipment	7,047,895
<b>112</b> Vehicles	-
<b>113</b> Total Property and Equipment	<u>\$10,160,844</u>
<b>114</b> Less: Accumulated Depreciation	<u>7,166,901</u>
<b>115</b> Net Property and Equipment	<u>\$2,993,943</u>
<b>116</b> Notes Receivable (net of current portion)	-
<b>117</b> Performance Bond (Disclose on Schedule A)	-
<b>118</b> Long Term Investments	6,532,366
<b>119</b> Deposits	-
<b>120</b> Other Noncurrent Assets (Disclose on Schedule A)	<u>\$2,505,906</u>
<b>121</b> Total Noncurrent Assets	<u>\$12,032,215</u>
<b>122</b> TOTAL ASSETS	<u><u>\$122,473,073</u></u>

**LIABILITIES AND NET ASSETS/EQUITY**

**CURRENT LIABILITIES**

<b>201</b> Incurred But Not Reported Claims (Disclose on Sch. A)	\$13,468,998
<b>202</b> Reported But Unpaid Claims	2,382,008
<b>203</b> Payable to ADHS (Disclose on Schedule A)	\$22,957,989
<b>204</b> Other Amounts Payable to Providers	6,039,297
<b>205</b> Trade Accounts Payable	1,536,110
<b>206</b> Accrued Salaries and Benefits	-
<b>207</b> Long-term Debt (current portion)	8,016
<b>208</b> Deferred Revenue (Disclose on Schedule A)	\$0
<b>209</b> Risk Pool Payable	-
<b>210</b> Other Current Liabilities (Disclose on Schedule A)	<u>\$16,661,728</u>
<b>211</b> Total Current Liabilities	<u>\$63,054,146</u>

**NON-CURRENT LIABILITIES**

<b>212</b> Long-term debt (net of current portion)	20,204
<b>213</b> Loss Contingencies (Disclosed on Schedule A)	\$0
<b>214</b> Other Noncurrent Liabilities (Disclose on Schedule A)	<u>\$1,046,196</u>
<b>215</b> Total Noncurrent Liabilities	<u>\$1,066,400</u>
<b>216</b> TOTAL LIABILITIES	<u>\$64,120,546</u>
<b>217</b> NET ASSETS/EQUITY	
Unrestricted Net Assets	58,352,527
Restricted Net Assets (Disclose on Schedule A)	\$0

<b>218</b> TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u><u>\$122,473,073</u></u>
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MAGELLAN  
STATEMENT OF FINANCIAL POSITION  
AS OF:  
Schedule A Disclosures

December 31, 2008

ASSETS:			LIABILITIES:		
<div>Cash</div>			IBNR Claims Estimate		
			Current Year		13,085,287
Unrestricted			42,881,816		
Restricted			1,046,196	Prior Year(s)	383,711
Total Cash			\$43,928,012	Total IBNR	\$13,468,998
Accounts Receivable					
ADHS			Payable to ADHS (Detail of Line 203)		
Program ID			Program ID		
Category ID			Category ID		
Current Year			Current Year		
NTXIX/XXI SMI			SMI Services/Tobacco Tax		
NTXIX/XXI SMI			MHBG		
TXIX SMI			DES/DD T19 Services - SMI		
NTXIX/XXI Child			Children's Treatment		
NTXIX/XXI Child			MHBG		
TXIX Child			DES/DD T19 Services - Child		
Substance Abuse			Meth Initiative		
Substance Abuse			Substance Abuse TX Children		
Substance Abuse			Substance Abuse Prevention TX		
Substance Abuse			SAPT Pregnant Women		
Substance Abuse			SAPT 07 HIV/Aids Alcohol		
Substance Abuse			Meth Initiative SAPT		
Substance Abuse			Maricopa City IGA		
Substance Abuse			City of Phoenix - LARC 08		
Prevention Intervention			Children's Prevention		
Prevention Intervention			SA Prevention TX		
PASRR			PASARR		
Other			CER - ACRA Training		
Other			Haris Institute		
Prior Year			Prior Year		
				HIFA II SMI	Profit/Risk Corridor
				NTXIX/XXI Child	Profit/Risk Corridor
				TXIX Child	Withhold
				TXIX SMI	Withhold
				TXIX GMHSA	Withhold
				TXXI Child	Withhold
				TXXI Adult	Withhold
				HIFA II GMH	Withhold
				Admin & Mgmt Gen	Sanctions

				Telephone Expenses	66,133
				Self Insurance Retention	292,287
				Unclaimed Property	32,256
				Sublease Security Deposits	158,693
				Maricopa Tail Ins Accrual	4,400,000
				PASARR Accrual	7,200
				CEDA Food Boxes	13,033
				Housing Expnese	302,505
				CHOICES - Sale of 7 Clinics	302,400
				Arnold vs Sarn	273,836
				ABC Management Fee	92,923
				FY08 Valuation Allowance on Investments	(347,516)
				Intercompany Magellan Health Services	10,739,046
				<b>Total Other Current Liabilities</b>	<b>16,661,728</b>
				<b>Loss Contingencies (Detail of Line 213)</b>	
				Identify Loss Contingencies	-
				<b>Total Loss Contingencies</b>	<b>\$0</b>
				<b>Other Noncurrent Liabilities (Detail of Line 214)</b>	
				Maricopa Comcare Trust	1,046,196
				<b>Total Other Noncurrent Liabilities</b>	<b>\$1,046,196</b>
				<b>Restricted Net Assets (Detail of Line 217)</b>	
				Identify Restricted Net Assets	-
				<b>Total Restricted Net Assets</b>	<b>\$0</b>

# MAGELLAN

## STATEMENT OF CHANGES IN NET ASSETS / EQUITY

AS OF : December 31, 2008

			Net Assets / Retained Earnings	Unrealized Gains (Losses) on Securities	Total
	Initial Capital	Additional Capital			
Beginning Balance: July 1, 2008	-	56,000,100	(4,817,459)		51,182,641
* Net Surplus / Net Earning for the period ended: <b>December 31, 2008</b>	-	6,000,000	961,427		6,961,427
Other Comprehensive Income:					
Unrealized Gains (Losses) on Securities				208,459	208,459
Dividends Declared		-	-		-
** Prior Period Adjustments	-	-	-		-
Ending Balance: <b>December 31, 2008</b>			-		-
	\$ -	\$ 62,000,100	\$ (3,856,032)	\$ 208,459	\$ 58,352,527

\* Net of dividends declared

\*\* Disclosure of Prior Period Adjustments



RAGELLAN																								
STATEMENT OF ACTIVITIES																								
YEAR TO DATE AS OF:																								
December 31, 2008																								
*DISCLOSE ON SCHEDULE A																								
	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	SSDI - TMC	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL	
Administrative Expenses:																								
601	Salaries	1,145,942	584,419	95,949	93,206	100,896	-	3,205,338	37,252	1,550,937	8,001	5,995	-	1,187,990	11,064	40,354	297,772	63,232	-	19,648	-	8,447,997	-	8,447,997
602	Employee Benefits	361,593	184,409	30,276	29,410	31,837	-	1,011,420	11,755	489,387	2,525	1,892	-	374,861	3,491	12,733	93,960	19,952	-	6,200	-	2,665,701	-	2,665,701
603	Professional & Outside Services	58,316	29,741	4,883	4,743	5,135	-	163,117	1,896	78,926	407	305	-	60,456	563	2,054	15,153	3,218	-	1,000	-	429,912	-	429,912
604	Travel	19,065	9,723	1,596	1,551	1,679	-	53,327	620	25,803	133	100	-	19,765	184	671	4,954	1,052	-	327	-	140,550	-	140,550
605	Occupancy	96,695	49,314	8,096	7,865	8,514	-	270,468	3,143	130,869	675	506	-	100,243	934	3,405	25,126	5,336	-	-	-	712,846	-	712,846
606	Depreciation	87,787	44,771	7,350	7,140	7,729	-	245,551	2,854	118,813	613	459	-	91,008	848	3,091	22,811	4,844	-	1,505	-	647,176	-	647,176
607	All Other Operating*	1,205,754	615,832	100,969	97,258	113,097	-	3,520,472	41,916	1,632,283	9,438	6,419	-	1,250,671	11,897	42,109	310,719	65,982	-	20,502	-	9,045,319	-	9,045,319
608	Subtotal ADHS Administrative Expenses	2,975,153	1,518,207	249,120	241,174	268,886	-	8,469,693	99,436	4,027,018	21,793	15,676	-	3,084,994	28,980	104,417	770,496	163,616	-	50,840	-	22,089,501	-	22,089,501
650	Encounter Withhold Expenses*	952,578	502,215	69,945	-	74,535	-	2,453,229	60,227	-	6,126	3,407	-	873,373	6,633	-	-	-	-	-	-	5,002,266	-	5,002,266
651	Non ADHS and/or Unrelated Admin. Expense*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
652	Subtotal Administrative Expense	3,927,731	2,020,422	319,065	241,174	343,421	-	10,922,922	159,663	4,027,018	27,919	19,083	-	3,958,367	35,613	104,417	770,496	163,616	-	50,840	-	27,091,767	-	27,091,767
701	Unrelated Business Expenses*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Provisions																								
a	ADHS Income Tax Provision	2,085,115	1,250,613	44,313	132,665	65,601	-	3,288,563	400,505	(7,757,359)	9,807	(18,740)	-	712,185	(26,901)	(150,207)	(62,883)	177,424	-	39,383	-	190,085	-	190,085
b	Non ADHS Income Tax Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	505,210	505,210	505,210
799	Subtotal Income Tax Provision	2,085,115	1,250,613	44,313	132,665	65,601	-	3,288,563	400,505	(7,757,359)	9,807	(18,740)	-	712,185	(26,901)	(150,207)	(62,883)	177,424	-	39,383	-	190,085	505,210	695,295
800	TOTAL EXPENSES	46,096,082	23,713,068	3,719,520	3,634,031	3,938,199	-	126,329,078	1,863,196	50,518,972	317,599	210,050	-	46,224,547	395,721	1,365,728	11,123,199	2,552,805	19,800	777,474	-	322,799,074	505,210	323,304,284
801	INC(DEC) IN NET ASSETS/EQUITY	2,883,230	1,729,308	61,275	183,445	90,711	-	4,547,319	553,806	(10,726,626)	13,562	(25,913)	-	984,787	(37,199)	(207,701)	(86,953)	245,337	-	54,456	-	262,838	698,589	961,427







**MAGELLAN**  
**STATEMENT OF CASH FLOWS**  
**YEAR TO DATE FOR PERIOD ENDED:**

December 31, 2008

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in Net Assets	961,427
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	1,359,693
Changes in Operating Assets and Liabilities	
<b>(Increases)/Decreases in Assets:</b>	
Receivables	(3,298,304)
Interest Receivable	(676,524)
Tax Benefit Receivable	(1,880,707)
Inventory & Prepaid Expenses	(1,341,764)
Deposits	12,468
Other Assets	448,922
<b>Increases/(Decreases) in Liabilities:</b>	
IBNR	1,888,381
RBUIC	(3,091,025)
Accounts Payable to ADHS	14,566,762
Accounts Payable to Providers	5,732,050
Interest Payable	-
Trade Accounts Payable	(758,902)
Accrued Salaries & Benefits	-
Other Liabilities	(1,191,852)

<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>12,730,626</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Property & Equipment	-
Purchases of Property & Equipment	2,474,570
Proceeds from Sales of Investments	-
Purchase of Investments	(34,435,813)

<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(31,961,243)</b>
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Acquisition of Debt (Describe on Schedule A)	-
Payment of Lease Obligations	-
Payment of Other Debts (Describe on Schedule A)	-
Additional Paid-In Capital from Parent Company	-
Common Stock	-

<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>
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<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(19,230,617)</b>
<b>BEGINNING CASH</b>	<b>63,158,629</b>
<b>ENDING CASH BALANCE *</b>	<b>43,928,012</b>

**\*NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET**

**MAGELLAN**

**STATEMENT OF CASH FLOWS**

**YEAR TO DATE FOR PERIOD ENDED:** December 31, 2008

**Schedule A Disclosure**

**Describe:**

1. Sources and amounts of cash received for other grants.

2. Underlying transactions for acquisition of debt.

(Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)

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3. Underlying transactions for retirement of debt.

(Debtor, amount paid off.)

4. Cash Flows From Financing Activities - Payment of Other Debt

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5. Supplemental data or non-cash investing and financing activities, gifts, etc.